

Message Text

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PAGE 01 CARACA 09921 231651Z

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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R 231630Z SEP 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 255

C O N F I D E N T I A L CARACAS 9921

EXDIS

EO 11652: GDS

TAGS: ENRG EINV VE

SUBJ: PETROLEUM REVERSION: OCCIDENTAL AND MOBIL SERVICE CONTRACTS

REF: CARACAS 9544

1. THE TIME LIMITS INITIALLY ESTABLISHED FOR REPLY TO OCCIDENTAL AND MOBIL HAVE SLIPPED. THE FORMER'S REPRESENTATIVE TOLD US SEPTEMBER 19 THAT THE MINISTER OF MINES HAD BEEN INVOLVED IN OTHER MATTERS AND THAT HIS STAFF NEEDED MORE TIME TO EVALUATE THE MATERIAL RELATING TO OCCIDENTAL'S CLAIM OF "COMMERCIALITY."

2. MOBIL, PERHAPS PARTIALLY IN RESPONSE TO THE AMBASSADOR'S SUGGESTIONS, SENT VICE PRESIDENT ALEX MASSAD DOWN FOR ITS SEPTEMBER 19 MEETING WITH THE MINISTER OF MINES. RICHARD HOWE, THE LOCAL MANAGER, LATER DESCRIBED THAT OCCASION AS CORDIAL BUT INCONCLUSIVE. MASSAD MADE CLEAR TO VALENTIN HERNANDEZ THAT MOBIL IS NOT PREPARED TO FINALIZE A POST-NATIONALIZATION AGREEMENT UNTIL SETTLEMENT IS REACHED ON THE COMPENSATION ISSUE IN GENERAL AND THE SERVICE CONTRACT PROBLEM IN PARTICULAR. HERNANDEZ ASSERTED THAT THE GOV AS YET HAS INSUFFICIENT INFORMATION TO MAKE A DECISION WITH RESPECT TO COMMERCIALITY. THE MINISTER ALSO SAID THAT ADDITIONAL EXPLORATORY WORK IN THE SERVICE

CONTRACT BLOCKS MIGHT BE NEEDED TO RESOLVE THE PROBLEM. ACCORDING TO HOWE, THE DISCUSSION INDICATED THAT FURTHER TALKS WILL BE REQUIRED ON WHERE THE TWO PARTIES GO FROM HERE WITH RESPECT TO THE SERVICE CONTRACTS.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, NATIONALIZATION, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 SEP 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CARACA09921
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750330-0187
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750923/aaaaaudu.tel
Line Count: 60
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 75 CARACAS 9544
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 15 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 SEP 2003 by CunninFX>; APPROVED <15 SEP 2003 by GarlanWA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PETROLEUM REVERSION: OCCIDENTAL AND MOBIL SERVICE CONTRACTS
TAGS: ENRG, EINV, VE, OCCIDENTAL, MOBIL, (MASSAD, ALEX)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006